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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 24 April 2019 at 9.30 a.m.
at the Ferry Terminal, Gourock, PA19 1QP

[FOISA Status – Exemptions under Section 30 (Prejudice to effective conduct of public affairs) Section 33 (Commercial interests) and Section 36 (Confidentiality)]

Present:
D C McGibbon (DMcG) (Chairman)
S M Browell (SMB)
M Comerford (MC)
R Drummond (RD)
S Hagan (SH)
J Stirling (JS)
A Tait (AT)

In attendance:
D Mackison (DM) – Chief Executive Officer
J Beckett (JB) – Finance Director
M Kerr (MK) – PWC
F Wilson (FW) – PWC
K Hobbs (KH) – CMAL Chief Executive Officer
R Hadfield – Assessor, Transport Scotland
N Brown (NB) – Bid Review Board Chairman
S R Griffin (SRG) – Company Secretary

Item		Action
1.	<u>GOVERNANCE</u>	
1.1	APOLOGIES FOR ABSENCE No apologies for absence had been received and it was noted that the meeting was quorate.	
1.2	DECLARATIONS OF INTEREST Each Director present confirmed that they had no direct or indirect interest in any way in the proposed transaction and other arrangements to be considered at the meeting which required to be disclosed by Section 177 of the Companies Act 2006 or the Company's Articles of Association.	
2.	[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]	
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4.3	[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]	

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4.4 **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

5. **GOVERNANCE (CONT'D)**

5.1 **SAFETY MOMENT**

It was noted that the MV Isle of Lewis had been letting in water and it was queried whether this should have been picked up by inspections. R Drummond advised that the damage was not as great as initially feared and that there was a robust inspection regime in place, however lessons learned had been added to the existing process and this component would be inspected on other vessels. It was noted that this, again, was a result of the ageing fleet.

5.2 **DECLARATIONS OF INTEREST**

S Browell noted that, due to diary clashes, she would no longer be involved in the CMAL recruitment process.

5.3 **MINUTES FROM BOARD MEETING OF 27 MARCH 2019**

The Minutes of the Board meeting held on 27 March 2019 were **APPROVED**, subject to a minor amendment under 1.6 action 8.19, and the Chairman was **AUTHORISED** to sign the minutes.

5.4 **ACTION LOG**

The action log was discussed as follows:-

111.18 GROUP CEO UPDATE - Key Issues Last Month

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].

118.18 ANY OTHER BUSINESS - STRATEGY

The Board agreed that they should hold a strategy session on 23 January based on the previous session work collated by D Gledhill.

Action: D Mackison would liaise with N Brown to organise a strategy session. C/fwd.

Action: A strategy session date was to be scheduled for May / June.

This had been scheduled for 26 July. **Action:** The Board asked that another attempt is made to find a suitable date in May or June.

120.18 ANY OTHER BUSINESS

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].

5.19 MEETING WITH MINISTER 26 FEBRUARY 2019

*It was noted that CalMac offered a unique proposition for the communities across the network and could act as an economic enabler. It was noted that this topic had been discussed at the DML-Community Board joint meeting with DML agreeing to commission a piece of work. **Action:** R Drummond to develop a scope & terms of reference for the work & circulate to Board. The costs for this activity would need to be included in the Plan. C/fwd.*

6.19 MEETING WITH MINISTER 26 FEBRUARY 2019

*The Minister had agreed to meet the DML Board every six months. **Action:** R Hadfield to be asked to arrange the next meeting. R Hadfield confirmed that this was ongoing. C/fwd.*

7.19 SPONSORSHIP STRATEGY

The Board discussed the report, noting that sponsorship was being monitored and reviewed. They asked, however, that a strategy was produced for Board approval in order to ensure that there was the best use of events in line with the strategy.

Action: B Fulton was asked to produce a sponsorship strategy which excluded commercial sponsorships and covered: who the business was trying to influence, how they were trying to influence them, what the objectives were and how would they be measured as well as

SRG

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how the sponsorship strategy aligned with commercial, marketing and business strategy. He was asked to include decision criteria including how conflicts, or the perception of conflicts, would be managed. They also asked that B Fulton provide clarity how the Non-Executive Directors could provide input or value by attending events.

RD

The Board confirmed that they had received the updated Sponsorship Strategy, had a chance to comment on it and were satisfied. Action complete.

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].

15.19 GROUP CEO REPORT

*M Comerford commented that the Minister had encouraged CalMac to organise a reception for the Scottish Parliament & it was agreed that consideration should be given to inviting CMAL. The Board noted ScotRail held regular drop-in events for MSPs and CalMac could also consider doing something similar. **Action:** D Mackison and D McGibbon would provide suggestions for a Scottish Parliament reception to the May Board (with R Drummond to provide information on previous events held).*

RD

RH

It was suggested that a timeslot should be arranged first via an MSP (not the sponsoring Minister). **Action:** R Hadfield would find out and confirm how this was done.

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].

17.19 CALMAC COMMUNITY BOARD UPDATE

Action: *It was agreed that there should be another joint DML-Community Board meeting in autumn 2019, preferably on the network.*

It was agreed that a date should be put in diaries and B Fulton asked to arrange this with the Community Board (noting that the next Community Board meeting (after April's) was on 28 & 29 August).

18.19 CALMAC MD UPDATE

Action: *It was agreed it would be good to have dinner with the Minister. C/fwd.*

All other actions were complete, for future meetings or covered under Agenda items.

6. CHAIRMAN'S REMARKS

6.1 STORNOWAY STAKEHOLDER ENGAGEMENT

D McGibbon commented that the Stornoway stakeholder programme had been productive and work was already underway to organise the May stakeholder meetings in and around Islay, Tarbert and Portavadie, although it was noted that there had been problems sourcing accommodation on Islay.

Action: The Board asked that information be circulated to them asap regarding the structure of the days and the dates they would be required, noting that not everyone was available for additional days at relatively short notice.

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6.2 TRANSPORT SCOTLAND MEETING

It was noted that D McGibbon and D Mackison had met with R Brannen and C Wilcock who had confirmed that DML should seek clearance in principle to pursue strategic growth from M Matheson and C Wilcock should also attend this meeting. Day to day operational matters would continue to be the responsibility of P Wheelhouse.

Additional information had been sent to Transport Scotland regarding the outstanding Contract Variations and C Wilcock had agreed to ensure these were expedited.

At this point S Hulme joined the meeting.

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7. **ITEMS FOR APPROVAL**

7.1 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**

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At this point S Hulme left the meeting.

7.2 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**

8. **BOARD COMMITTEES**

8.1 **AUDIT & RISK COMMITTEE (ARC)**

A Tait reported that tenders for the External Audit service had been received and scored and would be presented to the Audit & Risk Committee meeting in May.

8.2 **REMUNERATION COMMITTEE**

S Hagan reported that the Service Delivery Director contract had been extended to 31 December. He reported that only a small number of contractors remained in the business (Bid Team excepted). The Committee had reviewed the Gender Pay Gap report and received information on the succession planning process within the business. They had also asked that a table of NED fees and days be created in order that this could inform the Remuneration Committee review of remuneration information in the Annual Report & Accounts.

9. **GROUP REPORTS**

9.1 **GROUP CEO REPORT**

The Board noted the report from D Mackison and he reported as follows:

Key Activities Last Month

- He had met with A Carmichael MP and had a positive meeting.
- SGL – he had met R Parkinson and visited Marchwood and would be meeting with the GBA directors and MOD 2 stars.

Key Activities Next Month

- Community Board dinner and Board meeting later in the week.
- British Ports Association Annual Lunch as the guest of K Hobbs of CMAL.
- Scottish Government Economic Forum – attending as a Scottish economic stakeholder
- May network visits to Skye and the Western Isles
- MCA meeting

9.2 **GROUP FINANCE UPDATE**

The Board noted the report from J Beckett covering the 12 months to end March and she reported as follows:-

9.2.1 **DML Group Financial Results – end March 2019**

9.2.1.1 **Group Profit & Loss versus Plan**

Operating profit for 12 months to 31 March 2019 was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

pre business development & SGL and **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

- post business development & SGL.

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- Key variances were:
 - Farebox Revenue – positive to Plan
 - Fuel consumption – lower than forecast due to efficiencies
 - Support services – costs were below Plan
 - Crewing Reductions delivered
 - Maintenance & Overhauls – on Plan
 - One-off revenue items included – charter income, management fees recovery, ATOS case expenses, consultancy work
 - Challenges remained regarding: port staff and rostering (a key 19/20 initiative); retail revenue which was below target.

The Board noted that this was a very positive result for financial year 18/19. The Board expressed their appreciation of the efforts being made by the management team and noted that, as discussed previously, there were still areas to be progressed.

9.2.1.2 Group Balance Sheet as at 31 March 2019

This was noted.

9.2.2 **CHFS2 Contract Year 3 Performance**

9.2.2.1 Summary Contract Year 3 Financial Performance

Operator Return was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

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9.2.2.2 Contract Variations (CVs) & Funding Update

J Beckett reported as follows:

- Four CVs had been approved, as noted in the report
- CY3-018 Gourock-Dunoon Transfer into CHFS2 – this was ongoing and further information was being provided regarding the vessels.

[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

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9.2.2.3 Performance Penalties Deductions

The Board noted the data.

9.2.2.4 Bid Commitments Update

81% of bid commitments were complete or on track, 19% were red (including some whose dates were to be re-profiled).

9.2.3.1 **Gourock-Dunoon Summary Contract Extension 2: April 2018-January 2019 Financial Performance**

It was noted that the contract had ended on 20 January 2019 (a 10 month period) and the work to close off this period was nearly complete.

9.2.3.2 Performance Penalty Deductions - AFL

This information was noted.

9.2.4 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**

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At this point J Beckett left the meeting.

10. **ANY OTHER BUSINESS**

10.1 **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

10.2 **BOARD MEETING START TIME**

The Board discussed the start time of the Board and it was noted that a slightly later start time would allow some members to travel to the Board that day.

Decision

It was **AGREED** that Board meetings should start at 10.15am.

Action: S R Griffin to arrange that Board invitations were re-issued with the agreed new start time of 10.15am.

SRG

10.3 **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

11. **DATE OF NEXT MEETING**

Wednesday 29 May 2019, time TBC.

Signed:
D C McGibbon
Chairman

Date: